

GREATER KOKSTAD MUNICIPALITY

ANNUAL FINALBUDGET OF

GREATER KOKSTAD MUNICIPALITY

2018/2019 TO 2020/2021
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	NKPIs	National Key Performance Indicators
ASGISA	Accelerated and Shared Growth Initiative	OHS	Occupational Health and Safety
BPC	Budget Planning Committee	OP	Operational Plan
CBD	Central Business District	PBO	Public Benefit Organisations
CFO	Chief Financial Officer	PHC	Provincial Health Care
CM	Municipality Manager	PMS	Performance Management System
CPI	Consumer Price Index	PPE	Property Plant and Equipment
CRRF	Capital Replacement Reserve Fund	PPP	Public Private Partnership
DBSA	Development Bank of South Africa	PTIS	Public Transport Infrastructure System
DORA	Division of Revenue Act	RG	Restructuring Grant
DWA	Department of Water Affairs	RSC	Regional Services Council
EE	Employment Equity	SALGA	South African Local Government Association
EEDSM	Energy Efficiency Demand Side Management	SAPS	South African Police Service
EM	Executive Mayor	SDBIP	Service Delivery Budget Implementation Plan
FBS	Free basic services	SMME	Small Micro and Medium Enterprises
GAMAP	Generally Accepted Municipal Accounting Practice		
GDP	Gross domestic product		
GDS	Gauteng Growth and Development Strategy		
GFS	Government Financial Statistics		
GRAP	General Recognised Accounting Practice		
HR	Human Resources		
HSRC	Human Science Research Council		
IDP	Integrated Development Strategy		
IT	Information Technology		
kℓ	kilolitre		
km	kilometre		
KPA	Key Performance Area		
KPI	Key Performance Indicator		
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act Programme		
MIG	Municipal Infrastructure Grant		
MMC	Member of Mayoral Committee		
MPRA	Municipal Properties Rates Act		
MSA	Municipal Systems Act		
MTEF	Medium-term Expenditure Framework		
MTREF	Medium-term Revenue and Expenditure Framework		
NERSA	National Electricity Regulator South Africa		
NGO	Non-Governmental organisations		

Part 1 – Annual Draft Budget

1.1 Mayor's Report

MAYORAL BUDGET SPEECH FOR THE TERM OF COUNCIL DELIVERED AT THE COUNCIL CHAMBER ON THE 29 March 2017



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1.2 Council Resolutions

On 28 March 2018 the Council of Greater Kokstad Municipality met in the Council Chambers to consider the annual budget of the municipality for the financial year 2018/2019. The Council approved and adopted the following resolutions:

1. The Council of Greater Kokstad Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual Final budget of the municipality for the financial year 2018/2019 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance A2 (revenue and expenditure by standard classification) R404,785m
 - 1.1.2. Budgeted Financial Performance A3 (revenue and expenditure by municipal vote) R404,785m
 - 1.1.3. Budgeted Financial Performance A4 (revenue by source) R409,608m
 - 1.1.4. Multi-year and single-year capital appropriations A5 (by municipal vote and standard classification and associated funding by source) R93,798m
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position
 - 1.2.2. Budgeted Cash Flows

- 1.2.3. Cash backed reserves and accumulated surplus reconciliation
 - 1.2.4. Asset management ; and
 - 1.2.5. Basic service delivery measurement.
2. The Council of Greater Kokstad Municipality , acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018:
 - 2.1. the tariffs for property rates
 - 2.2. the tariffs for electricity
 - 2.3. the tariffs for the supply of refuse removal
 - 2.4. the tariffs for other charges
3. The Council of Greater Kokstad Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 the tariffs for other services respectively.
4. To give proper effect to the municipality's annual Draft budget, the Council of Greater Kokstad Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Some of these revenue collection strategies are electricity cut offs of consumers on arrears more than 30 days, signing of acknowledgement of debts and making arrangements as per council policies and bylaws on debt collection and credit control. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No89 was used to guide the compilation of the 2018/2019 MTREF.

The main challenges experienced during the compilation of the 2018/2019 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and with also ensuring the non declining cash position of the municipality;

- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2018/2019 MTREF process; and
- Availability of affordable capital.

The following budget principles and guidelines directly informed the compilation of the 2018/2019 MTREF:

- The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/2019 annual Draft budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/2019 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2018/2019 MTREF

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	85 161	88 825	94 610	101 524	101 524	114 027	79 538	141 700	149 210	157 417
Service charges	104 623	123 074	128 596	147 630	149 456	104 022	81 315	151 006	159 009	167 754
Investment revenue	1 996	5 712	7 896	7 275	8 046	14 355	5 329	8 528	8 980	9 474
Transfers recognised - operational	55 825	56 810	55 825	60 673	56 808	58 652	83 352	60 670	58 352	63 183
Other own revenue	23 416	19 071	20 717	15 115	15 115	21 414	9 874	16 741	17 885	18 757
Total Revenue (excluding capital transfers and contributions)	271 020	293 491	307 644	332 217	330 949	312 469	259 407	378 645	393 436	416 585
Employee costs	84 039	90 522	98 295	121 033	121 033	121 033	47 242	135 838	137 007	138 618
Remuneration of councillors	4 851	5 239	6 038	7 429	7 429	12 473	4 677	7 589	8 136	8 754
Depreciation & asset impairment	50 315	39 846	38 665	63 138	52 138	12 475	10 264	57 721	60 781	64 124
Finance charges	1 048	804	498	1 782	1 782	32	24	-	-	-
Materials and bulk purchases	68 479	75 886	80 967	94 829	94 829	83 224	51 473	106 653	112 300	118 467
Transfers and grants	-	-	-	-	-	11	4	-	-	-
Other expenditure	57 411	41 736	62 435	81 899	83 973	77 475	27 495	96 977	100 537	106 048
Total Expenditure	266 143	254 033	286 898	370 111	361 185	306 724	141 180	404 779	418 761	436 011
Surplus/(Deficit)	4 877	39 459	20 746	(37 893)	(30 235)	5 746	118 227	(26 134)	(25 324)	(19 426)
Transfers and subsidies - capital (monetary allocated)	54 401	24 751	27 544	27 550	33 550	23 392	8 772	30 963	29 318	30 062
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	59 279	64 209	48 291	(10 343)	3 315	29 138	126 999	4 829	3 994	10 636

Total operating revenue has increased by 14 per cent or R47 million for the 2018/2019 financial year when compared to the 2017/18 Adjustments Budget. For the two outer years, operational revenue will increase by 4% and 6 per cent respectively, equating to a total revenue growth of R23 million over the MTREF when compared to the 2018/2019 financial year.

Total operating expenditure for the 2018/2019 financial year has been appropriated at R404, 8million and translates into a budgeted deficit of R43 million. When compared to the 2017/18 Adjustments Budget, operational expenditure has increased by 12 per cent in the 2018/2019 budget and increase/Decrease by 3 and 4 per cent for each of the respective outer years of the MTREF.

The capital budget of R93 million for 2018/2019 is 0.2 per cent less when compared to the 2017/18 Adjustment Budget. .

1.4 Operating Revenue Framework

For Greater Kokstad Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 80 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2018/2019 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Revenue By Source											
Property rates	2	85 161	88 825	94 610	101 524	101 524	114 027	79 538	141 700	149 210	157 417
Service charges - electricity revenue	2	88 283	97 496	101 577	116 087	117 913	118 425	67 883	125 762	132 428	139 711
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	14 793	23 921	25 485	30 809	30 809	(14 403)	13 388	24 227	25 511	26 915
Service charges - other		1 547	1 656	1 534	735	735	-	44	1 016	1 070	1 128
Rental of facilities and equipment		757	1 842	1 269	1 757	1 757	1 599	801	1 871	1 970	2 079
Interest earned - external investments		1 996	5 712	7 896	7 275	8 046	14 355	5 329	8 528	8 980	9 474
Interest earned - outstanding debtors		2 969	4 711	11 068	4 572	4 572	7 490	2 808	4 572	4 814	5 079
Dividends received				-			-	-	-	-	-
Fines, penalties and forfeits		12 142	4 583	1 678	1 345	1 345	460	90	1 425	1 501	1 583
Licences and permits		3 347	3 473	3 045	3 924	3 924	5 807	2 073	4 161	4 381	4 622
Agency services				-		-	2 539	1 027	-	-	-
Transfers and subsidies		55 825	56 810	55 825	60 673	56 808	58 652	83 352	60 670	58 352	63 183
Other revenue	2	4 201	3 713	3 657	3 518	3 518	3 518	3 076	4 712	5 218	5 393
Gains on disposal of PPE		-	748	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		271 020	293 491	307 644	332 217	330 949	312 469	259 407	378 645	393 436	416 585

in line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2018/2019 financial year, revenue from rates and services charges totalled R292 million. This increases to R308 million, and R325 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 4 per cent in 2017/18 to 16 per cent in 2018/2019. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1 (see page 99).

Table 3 Operating Transfers and Grant Receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		54 657	53 927	19 688	51 808	51 265	49 595	58 794	56 592	61 335
Local Government Equitable Share		47 616	47 497	19 688	47 250	46 937	47 251	55 683	56 592	61 335
Finance Management		4 412	3 795	–	1 758	1 612	2 344	1 800		
EPWP Incentive		1 694	1 706	–	1 800	1 800	–	1 311		
		934	930	–	–	–	–			
		–	–	–	–	–	–			
		–	–	–	–	–	–			
Other transfers/grants [insert description]		–	–	–	1 000	917	–			
Provincial Government:		–	–	–	–	–	2 344	1 876	1 760	1 848
		–	–	–	–	–	–			
		–	–	–	–	–	–			
		–	–	–	–	–	–			
KZN ARTS & CULTURE		–	–	–	–	–	2 344	1 876	1 760	1 848
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]		–	–	–	–	–	–			
		–	–	–	–	–	–			
Other grant providers:		–	1 252	575	17 968	5 773	6 713	–	–	–
SETA & FURNITURE WORLD		–	–	–	–	–	–			
		–	1 252	575	17 968	5 773	6 713			
Total Operating Transfers and Grants	5	54 657	55 180	20 263	69 776	57 038	58 652	60 670	58 352	63 183
Capital Transfers and Grants										
National Government:		28 308	20 948	1 254	27 550	26 717	23 392	30 963	29 318	30 062
Municipal Infrastructure Grant (MIG)		–	–	–	–	–	11 696	17 049	17 318	18 062
Regional Bulk Infrastructure		–	–	–	–	–	–			
		–	–	–	–	–	–			
		–	–	–	–	–	–			
DOE		28 308	20 948	1 254	27 550	26 717	11 696	13 914	12 000	12 000
Provincial Government:		–	–	–	–	6 000	–	–	–	–
Cogta		–	–	–	–	6 000	–			
District Municipality:		–	–	–	0	–	–	–	–	–
[insert description]		–	–	–	–	–	–			
		–	–	–	0	–	–			
Other grant providers:		–	–	–	–	–	–	–	–	–
SETA & FURNITURE WORLD		–	–	–	–	–	–			
		–	–	–	–	–	–			
Total Capital Transfers and Grants	5	28 308	20 948	1 254	27 550	32 717	23 392	30 963	29 318	30 062
TOTAL RECEIPTS OF TRANSFERS & GRANTS		82 964	76 128	21 517	97 326	89 755	82 044	91 633	87 670	93 245

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items

such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Local Government: Municipal Property Rates Act 6 of 2004 (hereinafter referred to as the MPRA) and Section 62 (1) (f) of the Local Government: Municipal Finance Management Act 56 of 2003 (hereinafter referred to as the MFMA) provides that a Municipality should adopt and implement a policy on the levying of Rates on rateable property. Section 3 of the Act provides that the Rates Policy takes effect on the effective date of the first valuation roll prepared by the Municipality in terms of this Act. This document sets out the Policy of the Greater Kokstad Municipality and must be read with the MPRA. In applying the rates policy the Municipality will meet the requirements of the MPRA and the MFMA, including any Regulations made under these Acts. The rates policy as set out in this document arises from and is prepared in keeping with the tenor of the preamble and the detail of the legislation in the Local Government: Municipal Property Rates Act No. 6 of 2004. All of the provisions contained in that legislation have been taken into consideration in the preparation of this rates policy.

The following stipulations in the Property Rates Policy are highlighted:

- All residential properties with the market value of less than R40 000.00 are exempted from paying rates. The R15 000.00 impermissible rates contemplated in terms of Section 17(1)(L) of the Municipal Property Rates Act is included in the amount of R40 000.00.

Subject to the provision of multiple use properties where a property is used for multiple purposes, each part of the property shall be separately valued and the rebate applicable to such use shall be granted in respect of that part.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2018/2019 financial year based on values increase from 1 July 2018 is contained below:

Table 4 Comparison of proposed rates to levied for the 2018/2019 financial year

Category	Current Tariff (1 July 2017)	Proposed tariff (from 1 July 2018)
	c	
Residential properties	0.016627	0.013813
Government	0.042271	0.034533
Agricultural/Farms	0,003990	0,003453
Commercial, Business & Industrial	0.032971	0.027627
Public Service Infrastructure	0,003990	0,003453

1.4.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 7 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2018.

Considering the Eskom increases, the consumer tariff had to be increased by 6.84 per cent to offset the additional bulk purchase cost from 1 July 2018. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

Table 5 Comparison between current electricity charges and increases (Domestic)

Monthly consumption kWh	Percentage change
100	6.84%
250	6,84%
500	6,84%
750	6,84%
1 000	6,84%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2018. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the Municipality already. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The inadequate electricity bulk capacity of municipality and the impact on service delivery and development remains a challenge for the Municipality. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers.

1.4.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a surplus. On consideration of inflation forecast and the provisioning of the cleansing safety services in ensuring that the municipal citizens are leaving in a clean and healthy environment also are safe from fire damages, the charges on refuse removals and general cleaning of the municipal area are proposed to increase by 6. %.

The following table compares current and proposed amounts payable from 1 July 2018:

Table 6 Comparison between current waste removal fees and increases

	WASTE REMOVAL	MUNICIPALITY CLEANING	WASTE REMOVAL	MUNICIPALIT Y CLEANING
Tariff per container per month or part of a month: Areas serviced by means of: (Tariff is multiplied by the number of service rounds per week and the number of containers.)	Per month (R) 2017/2018		Per month (R) 2018/2019	
Per Bin per month	362.75	362.75	384.52	384.52
Refuse for bulk containers per month	596.05	596.05	631.81	631.81
Cost per removal per container	207.74	207.74	220.20	220.20
Not exceeding two removals per week	247.68	247.68	262.54	262.54

1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

All other municipal charges for the direct services provided on municipal citizen's request are proposed to increase by 6%. These are services like use of municipal facilities, cemetery services, other traffic management services, building control services, planning services and etc

Table 7 KZN 433 GREATER KOKSTAD Table SA14 – Household bills

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19 % incr.	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		2 677.77	2 827.73	2 997.39	3 177.23	3 177.23	3 177.23	3 134 612.00	3 134 612.00	3 300 746.44	3 482 287.49
Electricity: Basic levy		1 103.11	1 164.88	1 256.91				275 855.00	275 855.00	290 475.32	306 451.46
Electricity: Consumption		2 362.58	2 494.88	2 691.98	2 853.50	2 853.50	2 853.50	1 481.87	1 481.87	1 560.41	1 646.23
Water: Basic levy					–	–	–				
Water: Consumption					–	–	–				
Sanitation					–	–	–				
Refuse removal		210.53	222.32	235.66	249.80	249.80	249.80	263.30	263.30	277.25	292.50
Other					11.27	11.27	11.27				
sub-total		6 353.99	6 709.82	7 181.94	6 291.81	6 291.81	6 291.81	54 132.6%	3 412 212.17	3 593 059.42	3 790 677.68
VAT on Services											
Total large household bill:		6 353.99	6 709.82	7 181.94	6 291.81	6 291.81	6 291.81	54 132.6%	3 412 212.17	3 593 059.42	3 790 677.68
% increase/-decrease			5.6%	7.0%	(12.4%)	–	–		54 132.6%	5.3%	5.5%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		1 660.98	1 754.00	1 859.24	1 970.79	1 970.79	1 970.79	3 134 612.00	3 134 612.00	3 300 746.44	3 482 287.49
Electricity: Basic levy		893.07	943.08	1 017.58	–	–	–	275 855.00	275 855.00	290 475.32	306 451.46
Electricity: Consumption		1 691.39	1 786.11	1 927.21	2 042.85	2 042.85	2 042.85	1 481.87	1 481.87	1 560.41	1 646.23
Water: Basic levy					–	–	–				
Water: Consumption					–	–	–				
Sanitation					–	–	–				
Refuse removal		210.53	222.32	235.66	249.80	249.80	249.80	263.30	263.30	277.25	292.50
Other					11.27	11.27	11.27				
sub-total		4 455.98	4 705.51	5 039.70	4 274.71	4 274.71	4 274.71	79 723.2%	3 412 212.17	3 593 059.42	3 790 677.68
VAT on Services											
Total small household bill:		4 455.98	4 705.51	5 039.70	4 274.71	4 274.71	4 274.71	79 723.2%	3 412 212.17	3 593 059.42	3 790 677.68
% increase/-decrease			5.6%	7.1%	(15.2%)	–	–		79 723.2%	5.3%	5.5%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		612.42	646.71	685.51	726.65	726.65	726.65	3 134 612.00	3 134 612.00	3 300 746.44	3 482 287.49
Electricity: Basic levy		643.48	679.52	733.20				275 855.00	275 855.00	290 475.32	306 451.46
Electricity: Consumption		1 314.31	1 387.92	1 497.56	1 587.41	1 587.41	1 587.41	1 481.87	1 481.87	1 560.41	1 646.23
Water: Basic levy					–	–	–				
Water: Consumption					–	–	–				
Sanitation					–	–	–				
Refuse removal		210.53	222.32	235.66	249.80	249.80	249.80	263.30	263.30	277.25	292.50
Other					11.27	11.27	11.27				
sub-total		2 780.75	2 936.47	3 151.94	2 575.13	2 575.13	2 575.13	132 406.2%	3 412 212.17	3 593 059.42	3 790 677.68
VAT on Services											
Total small household bill:		2 780.75	2 936.47	3 151.94	2 575.13	2 575.13	2 575.13	132 406.2%	3 412 212.17	3 593 059.42	3 790 677.68
% increase/-decrease			5.6%	7.3%	(18.3%)	–	–		132 406.2%	5.3%	5.5%

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2018/2019 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

The following table is a high level summary of the 2018/2019 budget and MTREF (classified per main type of operating expenditure):

Table 8 Summary of operating expenditure by standard classification item

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Expenditure By Type											
Employee related costs	2	84 039	90 522	98 295	121 033	121 033	121 033	47 242	135 838	137 007	138 618
Remuneration of councillors		4 851	5 239	6 038	7 429	7 429	12 473	4 677	7 589	8 136	8 754
Debt impairment	3	–	530	9 396	8 907	8 907	2 410	1 807	8 907	9 379	9 876
Depreciation & asset impairment	2	50 315	39 846	38 665	63 138	52 138	12 475	10 264	57 721	60 781	64 124
Finance charges		1 048	804	498	1 782	1 782	32	24	–	–	–
Bulk purchases	2	68 479	75 886	80 967	94 829	94 829	80 283	49 273	101 771	107 165	113 059
Other materials	8	–	–	–	–	–	2 941	2 201	4 882	5 136	5 408
Contracted services		17 270	10 116	27 193	39 502	42 618	42 618	7 372	51 229	52 364	55 244
Transfers and subsidies		–	–	–	–	–	11	4	–	–	–
Other expenditure	4, 5	39 469	31 090	25 846	33 490	32 448	32 448	18 316	36 841	38 794	40 928
Loss on disposal of PPE		671	–	–	–	–	–	–	–	–	–
Total Expenditure		266 143	254 033	286 898	370 111	361 185	306 724	141 180	404 779	418 761	436 011
Surplus/(Deficit)		4 877	39 459	20 746	(37 893)	(30 235)	5 746	118 227	(26 134)	(25 324)	(19 426)

The budgeted allocation for employee related costs for the 2018/2019 financial year totals R135 million, which equals 2 per cent of the total operating expenditure. Negotiation not yet finalised, salary increases have been factored into this budget at a percentage increase of 7.1% per cent for the 2018/2019 financial year. As part of the Municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 86 per cent and the Debt Write-off Policy of the Municipality. For the 2018/2019 financial year this amount equates to R8 remain the same as last year R8 million by 2017/18. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R57 million for the 2018/2019 financial and equates to 6 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

1.5.1 Priority given to repairs and maintenance

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		4 348	4 252	8 529	13 141	12 641	10 141	14 114	14 861	15 677
Roads Infrastructure		3 563	3 247	7 524	3 500	4 000	4 000	5 000	5 264	5 552
Roads		3 563	3 247	7 524	3 500	4 000	4 000	5 000	5 264	5 552
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Drainage Collection		-	-	-	-	-	-	-	-	-
Storm water Conveyance		-	-	-	-	-	-	-	-	-
Attenuation		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		785	1 005	1 005	6 141	6 141	6 141	8 145	8 577	9 049
HV Transmission Conductors		-	-	-	-	-	-	-	-	-
MV Substations		785	1 005	1 005	6 141	6 141	6 141	8 145	8 577	9 049
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Capital Spares		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	3 500	2 500	-	969	1 020	1 076
Landfill Sites		-	-	-	3 500	2 500	-	969	1 020	1 076
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Community Assets		474	1 477	1 413	1 566	1 566	1 106	1 870	1 969	2 077
Community Facilities		58	175	110	460	460	-	360	379	400
Halls		-	-	-	-	-	-	-	-	-
Centres		-	-	-	-	-	-	-	-	-
Crèches		-	-	-	-	-	-	-	-	-
Clinics/Care Centres		-	-	-	-	-	-	-	-	-
Fire/Ambulance Stations		-	20	-	150	150	-	150	158	167
Testing Stations		-	-	-	-	-	-	-	-	-
Museums		-	-	-	-	-	-	-	-	-
Galleries		-	-	-	-	-	-	-	-	-
Theatres		-	-	-	-	-	-	-	-	-
Libraries		29	110	110	110	110	-	110	116	122
Cemeteries/Crematoria		-	-	-	-	-	-	-	-	-
Police		29	45	-	200	200	-	100	105	111
Parks		-	-	-	-	-	-	-	-	-
Capital Spares		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		416	1 303	1 303	1 106	1 106	1 106	1 510	1 590	1 677
Indoor Facilities		-	-	-	-	-	-	-	-	-
Outdoor Facilities		416	1 303	1 303	1 106	1 106	1 106	1 510	1 590	1 677
Capital Spares		-	-	-	-	-	-	-	-	-
Improved Property		-	-	-	-	-	-	-	-	-
Unimproved Property		-	-	-	-	-	-	-	-	-
Other assets		285	900	900	1 650	2 150	2 150	3 554	3 743	3 950
Operational Buildings		-	-	-	50	50	50	1 704	1 795	1 895
Municipal Offices		-	-	-	-	-	-	-	-	-
Pay/Enquiry Points		-	-	-	-	-	-	-	-	-
Building Plan Offices		-	-	-	-	-	-	-	-	-
Workshops		-	-	-	50	50	50	1 704	1 795	1 895
Depots		-	-	-	-	-	-	-	-	-
Capital Spares		-	-	-	-	-	-	-	-	-
Housing		285	900	900	1 600	2 100	2 100	1 850	1 948	2 055
Staff Housing		285	900	900	1 600	2 100	2 100	1 850	1 948	2 055
Social Housing		-	-	-	-	-	-	-	-	-
Capital Spares		-	-	-	-	-	-	-	-	-
Computer Equipment		-	50	-	190	190	190	290	305	322
Computer Equipment		-	50	-	190	190	190	290	305	322
Furniture and Office Equipment		11	50	-	100	100	100	100	105	111
Furniture and Office Equipment		11	50	-	100	100	100	100	105	111
Machinery and Equipment		-	-	-	1 500	1 500	1 500	200	211	222
Machinery and Equipment		-	-	-	1 500	1 500	1 500	200	211	222
Transport Assets		739	1 190	2 564	-	-	-	-	-	-
Transport Assets		739	1 190	2 564	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	1	5 857	7 919	13 406	18 147	18 147	15 187	20 128	21 195	22 361

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2018/2019 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

During the compilation of the 2018/2019 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 14per cent in the 2018/2019 financial year, from R7, 7 million to R18, 3 million.

1.5.2 Free Basic Services: Basic Social Services Package

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19 % incr.	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		2 677.77	2 827.73	2 997.39	3 177.23	3 177.23	3 177.23	3 134 612.00	3 134 612.00	3 300 746.44	3 482 287.49
Electricity: Basic levy		1 103.11	1 164.88	1 256.91				275 855.00	275 855.00	290 475.32	306 451.46
Electricity: Consumption		2 362.58	2 494.88	2 691.98	2 853.50	2 853.50	2 853.50	1 481.87	1 481.87	1 560.41	1 646.23
Water: Basic levy					-	-	-				
Water: Consumption					-	-	-				
Sanitation					-	-	-				
Refuse removal		210.53	222.32	235.66	249.80	249.80	249.80	263.30	263.30	277.25	292.50
Other					11.27	11.27	11.27				
sub-total		6 353.99	6 709.82	7 181.94	6 291.81	6 291.81	6 291.81	54 132.6%	3 412 212.17	3 593 059.42	3 790 677.68
VAT on Services											
Total large household bill:		6 353.99	6 709.82	7 181.94	6 291.81	6 291.81	6 291.81	54 132.6%	3 412 212.17	3 593 059.42	3 790 677.68
% increase/-decrease			5.6%	7.0%	(12.4%)	-	-		54 132.6%	5.3%	5.5%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		1 660.98	1 754.00	1 859.24	1 970.79	1 970.79	1 970.79	3 134 612.00	3 134 612.00	3 300 746.44	3 482 287.49
Electricity: Basic levy		893.07	943.08	1 017.58	-	-	-	275 855.00	275 855.00	290 475.32	306 451.46
Electricity: Consumption		1 691.39	1 786.11	1 927.21	2 042.85	2 042.85	2 042.85	1 481.87	1 481.87	1 560.41	1 646.23
Water: Basic levy					-	-	-				
Water: Consumption					-	-	-				
Sanitation					-	-	-				
Refuse removal		210.53	222.32	235.66	249.80	249.80	249.80	263.30	263.30	277.25	292.50
Other					11.27	11.27	11.27				
sub-total		4 455.98	4 705.51	5 039.70	4 274.71	4 274.71	4 274.71	79 723.2%	3 412 212.17	3 593 059.42	3 790 677.68
VAT on Services											
Total small household bill:		4 455.98	4 705.51	5 039.70	4 274.71	4 274.71	4 274.71	79 723.2%	3 412 212.17	3 593 059.42	3 790 677.68
% increase/-decrease			5.6%	7.1%	(15.2%)	-	-		79 723.2%	5.3%	5.5%
Monthly Account for Household - 'Indigent'	3										
Household receiving free basic services											
Rates and services charges:											
Property rates		612.42	646.71	685.51	726.65	726.65	726.65	3 134 612.00	3 134 612.00	3 300 746.44	3 482 287.49
Electricity: Basic levy		643.48	679.52	733.20				275 855.00	275 855.00	290 475.32	306 451.46
Electricity: Consumption		1 314.31	1 387.92	1 497.56	1 587.41	1 587.41	1 587.41	1 481.87	1 481.87	1 560.41	1 646.23
Water: Basic levy					-	-	-				
Water: Consumption					-	-	-				
Sanitation					-	-	-				
Refuse removal		210.53	222.32	235.66	249.80	249.80	249.80	263.30	263.30	277.25	292.50
Other					11.27	11.27	11.27				
sub-total		2 780.75	2 936.47	3 151.94	2 575.13	2 575.13	2 575.13	132 406.2%	3 412 212.17	3 593 059.42	3 790 677.68
VAT on Services											
Total small household bill:		2 780.75	2 936.47	3 151.94	2 575.13	2 575.13	2 575.13	132 406.2%	3 412 212.17	3 593 059.42	3 790 677.68
% increase/-decrease			5.6%	7.3%	(18.3%)	-	-		132 406.2%	5.3%	5.5%

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 3 500 or more indigent households during the 2018/2019 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/2019 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	85 161	88 825	94 610	101 524	101 524	114 027	79 538	141 700	149 210	157 417
Service charges	104 623	123 074	128 596	147 630	149 456	104 022	81 315	151 006	159 009	167 754
Investment revenue	1 996	5 712	7 896	7 275	8 046	14 355	5 329	8 528	8 980	9 474
Transfers recognised - operational	55 825	56 810	55 825	60 673	56 808	58 652	83 352	60 670	58 352	63 183
Other own revenue	23 416	19 071	20 717	15 115	15 115	21 414	9 874	16 741	17 885	18 757
Total Revenue (excluding capital transfers and contributions)	271 020	293 491	307 644	332 217	330 949	312 469	259 407	378 645	393 436	416 585
Employee costs	84 039	90 522	98 295	121 033	121 033	121 033	47 242	135 838	137 007	138 618
Remuneration of councillors	4 851	5 239	6 038	7 429	7 429	12 473	4 677	7 589	8 136	8 754
Depreciation & asset impairment	50 315	39 846	38 665	63 138	52 138	12 475	10 264	57 721	60 781	64 124
Finance charges	1 048	804	498	1 782	1 782	32	24	-	-	-
Materials and bulk purchases	68 479	75 886	80 967	94 829	94 829	83 224	51 473	106 653	112 300	118 467
Transfers and grants	-	-	-	-	-	11	4	-	-	-
Other expenditure	57 411	41 736	62 435	81 899	83 973	77 475	27 495	96 977	100 537	106 048
Total Expenditure	266 143	254 033	286 898	370 111	361 185	306 724	141 180	404 779	418 761	436 011
Surplus/(Deficit)	4 877	39 459	20 746	(37 893)	(30 235)	5 746	118 227	(26 134)	(25 324)	(19 426)
Transfers and subsidies - capital (monetary allocation)	54 401	24 751	27 544	27 550	33 550	23 392	8 772	30 963	29 318	30 062
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	59 279	64 209	48 291	(10 343)	3 315	29 138	126 999	4 829	3 994	10 636
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	59 279	64 209	48 291	(10 343)	3 315	29 138	126 999	4 829	3 994	10 636
Capital expenditure & funds sources										
Capital expenditure	55 796	33 426	37 145	63 705	93 987	48 806	25 338	93 798	74 118	59 500
Transfers recognised - capital	52 344	29 794	22 013	27 550	33 550	27 550	8 772	30 963	29 318	30 062
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	3 452	3 632	15 132	36 155	60 437	21 256	16 566	62 835	44 800	29 438
Total sources of capital funds	55 796	33 426	37 145	63 705	93 987	48 806	25 338	93 798	74 118	59 500
Financial position										
Total current assets	84 555	132 750	173 042	155 005	229 222	232 754	192 581	212 074	170 992	175 947
Total non current assets	509 432	503 974	547 560	582 830	593 830	593 830	456 403	564 313	636 142	706 839
Total current liabilities	44 705	53 660	61 233	49 438	49 438	49 438	76 710	48 239	42 644	38 350
Total non current liabilities	22 616	19 702	13 720	18 611	18 611	18 611	14 223	13 720	13 720	13 720
Community wealth/Equity	526 667	563 361	645 649	669 786	755 003	758 536	558 051	714 428	750 770	830 716
Cash flows										
Net cash from (used) operating	97 973	71 649	76 677	42 619	39 909	39 909	131 045	5 947	(20 451)	(16 565)
Net cash from (used) investing	(55 796)	(33 426)	(37 338)	(63 705)	(93 987)	(93 987)	(32 415)	(93 798)	(74 118)	(59 500)
Net cash from (used) financing	(2 984)	(2 571)	(2 421)	(1 089)	(1 089)	(1 089)	109	-	-	-
Cash/cash equivalents at the year end	52 715	88 367	125 285	103 109	47 941	47 941	268 624	37 434	(57 136)	(133 200)
Cash backing/surplus reconciliation										
Cash and investments available	52 716	88 639	125 285	95 368	169 585	182 966	155 920	169 885	131 731	138 581
Application of cash and investments	9 283	2 867	12 966	(5 721)	(5 761)	(10 752)	12 104	1 809	(1 170)	(4 720)
Balance - surplus (shortfall)	43 433	85 772	112 318	101 089	175 346	193 718	143 816	168 075	132 900	143 300
Asset management										
Asset register summary (WDV)	503 974	547 559	583 942	594 942	563 113	525 328	-	566 625	638 454	709 151
Depreciation	50 315	39 846	38 665	63 138	52 138	52 138	57 721	60 781	64 124	64 124
Renewal of Existing Assets	55 796	33 426	37 338	32 405	53 832	-	-	-	-	-
Repairs and Maintenance	5 857	7 919	13 406	18 147	18 147	15 187	20 128	21 195	22 361	22 361
Free services										
Cost of Free Basic Services provided	-	-	2 249	2 338	-	2 338	1 239	1 239	1 305	1 377
Revenue cost of free services provided	-	-	(2 249)	12 503	13 015	12 064	16 347	16 347	17 213	18 160
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	5	-	5	13	13	13	13	13	13	13
Refuse:	-	-	-	-	-	-	-	-	-	-

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance,

Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2016/17, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2018/2019 the water backlog will have been very nearly eliminated

Table 9 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional	1									
<i>Governance and administration</i>		179 601	159 299	178 653	174 080	170 986	182 759	214 075	221 484	235 296
Executive and council		36 511	6 181	7 071	12 625	8 760	7 347	3 950	-	-
Finance and administration		143 090	153 118	171 582	161 454	162 225	175 412	210 125	221 484	235 296
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		5 194	7 121	9 766	3 798	9 848	4 573	4 328	4 342	4 572
Community and social services		3 556	5 079	3 925	2 558	2 608	3 130	2 777	2 709	2 849
Sport and recreation		91	837	200	505	505	346	535	564	595
Public safety		1 547	1 206	5 641	735	6 735	1 097	1 016	1 070	1 128
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		35 270	26 354	23 707	24 224	24 224	4 023	25 437	24 770	25 923
Planning and development		2 707	1 054	1 394	765	765	470	2 124	856	903
Road transport		32 562	25 300	22 313	23 459	23 459	3 554	23 313	23 914	25 020
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		105 289	124 712	129 968	143 263	145 089	133 260	165 768	171 902	180 696
Energy sources		90 496	100 790	104 483	126 857	128 683	109 549	141 540	146 390	153 782
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		14 793	23 921	25 485	16 406	16 406	23 711	24 227	25 511	26 915
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	325 354	317 486	342 093	345 365	350 147	324 616	409 608	422 497	446 488
Expenditure - Functional										
<i>Governance and administration</i>		135 224	128 458	129 555	171 940	166 761	85 434	171 042	172 343	185 116
Executive and council		16 416	19 441	26 172	25 291	27 544	16 438	16 824	17 927	19 163
Finance and administration		118 808	109 017	103 383	146 649	139 216	68 997	151 031	151 477	162 840
Internal audit		-	-	-	-	-	-	3 187	2 938	3 113
<i>Community and public safety</i>		17 182	18 639	15 199	18 056	14 178	9 891	19 879	21 210	22 704
Community and social services		7 781	8 491	7 701	6 283	6 128	3 800	6 705	7 147	7 643
Sport and recreation		5 072	5 585	6 532	6 576	1 656	836	2 120	2 234	2 359
Public safety		4 329	4 563	966	5 197	6 394	5 254	11 054	11 828	12 702
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		33 361	36 336	43 169	46 165	48 604	34 305	62 832	65 865	70 907
Planning and development		9 913	10 966	15 054	17 998	17 821	9 717	24 258	25 311	27 552
Road transport		23 447	25 369	28 115	28 167	30 783	24 588	38 574	40 553	43 354
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		87 708	98 840	115 659	133 949	137 053	108 391	151 033	159 344	169 049
Energy sources		79 559	90 669	95 752	123 754	122 290	96 158	131 974	138 928	147 099
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		8 149	8 170	19 907	10 196	14 764	12 233	19 059	20 416	21 949
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	273 475	282 272	303 582	370 111	366 596	238 020	404 785	418 761	447 775
Surplus/(Deficit) for the year		51 879	35 214	38 512	(24 746)	(16 449)	86 596	4 822	3 737	(1 287)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue.

Table 10 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
Revenue by Vote	1									
Vote 1 - EXECUTIVE & COUNCIL		36 805	6 181	7 071	12 625	8 447	7 347	3 950	–	–
Vote 2 - Finance and administration		142 796	153 118	171 578	159 901	161 115	175 397	210 125	221 484	235 296
Vote 3 - Community and public safety		5 194	7 121	9 766	4 800	10 766	4 578	4 328	4 342	4 572
Vote 4 - Economic and environmental services		35 270	26 354	23 710	24 776	24 730	4 033	25 437	24 770	25 923
Vote 5 - Trading services		105 289	124 712	129 968	143 263	145 089	133 260	165 768	171 902	180 696
Vote 6 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 7 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 8 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 9 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 10 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 11 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 12 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 13 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 14 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 15 - No votenumber		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	325 354	317 486	342 093	345 365	350 147	324 616	409 608	422 497	446 488
Expenditure by Vote to be appropriated	1									
Vote 1 - EXECUTIVE & COUNCIL		16 416	19 441	27 366	32 697	37 013	24 802	32 974	34 664	33 641
Vote 2 - Finance and administration		122 447	112 816	107 787	128 238	118 988	54 660	138 068	137 678	151 475
Vote 3 - Community and public safety		13 544	14 841	9 311	24 232	19 851	13 278	19 879	21 210	22 704
Vote 4 - Economic and environmental services		33 361	36 336	43 459	50 995	53 690	36 890	62 832	65 865	70 907
Vote 5 - Trading services		87 708	98 840	115 659	133 948	137 053	108 391	151 033	159 344	169 049
Vote 6 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 7 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 8 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 9 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 10 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 11 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 12 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 13 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 14 - No votenumber		–	–	–	–	–	–	–	–	–
Vote 15 - No votenumber		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	273 475	282 272	303 582	370 111	366 596	238 020	404 785	418 761	447 775
Surplus/(Deficit) for the year	2	51 879	35 214	38 512	(24 746)	(16 449)	86 596	4 822	3 737	(1 287)

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
- Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

Table 11 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Revenue By Source											
Property rates	2	85 161	88 825	94 610	101 524	101 524	114 027	79 538	141 700	149 210	157 417
Service charges - electricity revenue	2	88 283	97 496	101 577	116 087	117 913	118 425	67 883	125 762	132 428	139 711
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	14 793	23 921	25 485	30 809	30 809	(14 403)	13 388	24 227	25 511	26 915
Service charges - other		1 547	1 656	1 534	735	735	-	44	1 016	1 070	1 128
Rental of facilities and equipment		757	1 842	1 269	1 757	1 757	1 599	801	1 871	1 970	2 079
Interest earned - external investments		1 996	5 712	7 896	7 275	8 046	14 355	5 329	8 528	8 980	9 474
Interest earned - outstanding debtors		2 969	4 711	11 068	4 572	4 572	7 490	2 808	4 572	4 814	5 079
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		12 142	4 583	1 678	1 345	1 345	460	90	1 425	1 501	1 583
Licences and permits		3 347	3 473	3 045	3 924	3 924	5 807	2 073	4 161	4 381	4 622
Agency services		-	-	-	-	-	2 539	1 027	-	-	-
Transfers and subsidies		55 825	56 810	55 825	60 673	56 808	58 652	83 352	60 670	58 352	63 183
Other revenue	2	4 201	3 713	3 657	3 518	3 518	3 518	3 076	4 712	5 218	5 393
Gains on disposal of PPE		-	748	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		271 020	293 491	307 644	332 217	330 949	312 469	259 407	378 645	393 436	416 585
Expenditure By Type											
Employee related costs	2	84 039	90 522	98 295	121 033	121 033	121 033	47 242	135 838	137 007	138 618
Remuneration of councillors		4 851	5 239	6 038	7 429	7 429	12 473	4 677	7 589	8 136	8 754
Debt impairment	3	-	530	9 396	8 907	8 907	2 410	1 807	8 907	9 379	9 876
Depreciation & asset impairment	2	50 315	39 846	38 665	63 138	52 138	12 475	10 264	57 721	60 781	64 124
Finance charges		1 048	804	498	1 782	1 782	32	24	-	-	-
Bulk purchases	2	68 479	75 886	80 967	94 829	94 829	80 283	49 273	101 771	107 165	113 059
Other materials	8	-	-	-	-	-	2 941	2 201	4 882	5 136	5 408
Contracted services		17 270	10 116	27 193	39 502	42 618	42 618	7 372	51 229	52 364	55 244
Transfers and subsidies		-	-	-	-	-	11	4	-	-	-
Other expenditure	4, 5	39 469	31 090	25 846	33 490	32 448	32 448	18 316	36 841	38 794	40 928
Loss on disposal of PPE		671	-	-	-	-	-	-	-	-	-
Total Expenditure		266 143	254 033	286 898	370 111	361 185	306 724	141 180	404 779	418 761	436 011
Surplus/(Deficit)											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		4 877	39 459	20 746	(37 893)	(30 235)	5 746	118 227	(26 134)	(25 324)	(19 426)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6	54 401	24 751	27 544	27 550	33 550	23 392	8 772	30 963	29 318	30 062
Surplus/(Deficit) after capital transfers & contributions		59 279	64 209	48 291	(10 343)	3 315	29 138	126 999	4 829	3 994	10 636
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		59 279	64 209	48 291	(10 343)	3 315	29 138	126 999	4 829	3 994	10 636
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		59 279	64 209	48 291	(10 343)	3 315	29 138	126 999	4 829	3 994	10 636
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		59 279	64 209	48 291	(10 343)	3 315	29 138	126 999	4 829	3 994	10 636

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

- Total revenue is R378 million in 2018/2019 and escalates to R415 million by 2020/2021. Revenue to be generated from property rates is 141 million in the 2018/2019 financial year and increases to R157 million by 2020/2021 which represents 2 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality.
- Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R151 million for the

2018/2019 financial year and increasing to R167 million by 2020/2021. This growth can mainly be attributed to the increase in the bulk prices of electricity.

3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. The percentage share of this revenue source increases.
4. Bulk purchases have significantly increased over the 2018/2019 to 2020/2021 period escalating from R101 million to R113million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 12 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - EXECUTIVE & COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance and administration		-	-	-	-	-	-	-	-	-	-
Vote 3 - Community and public safety		-	-	-	-	-	-	-	-	-	-
Vote 4 - Economic and environmental services		-	-	-	-	-	-	-	42 049	51 318	41 500
Vote 5 - Trading services		-	-	-	-	-	-	-	28 864	13 800	14 000
Vote 6 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 7 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 8 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 9 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 10 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 11 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 12 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 13 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 14 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 15 - No volenumber		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	70 913	65 118	55 500
Single-year expenditure to be appropriated	2										
Vote 1 - EXECUTIVE & COUNCIL		-	-	-	1 750	1 750	-	-	-	-	-
Vote 2 - Finance and administration		-	-	-	1 450	6 204	5 684	5 256	7 100	4 000	4 000
Vote 3 - Community and public safety		-	-	1 358	4 465	9 890	2 709	1 482	9 845	5 000	-
Vote 4 - Economic and environmental services		55 796	33 426	35 787	33 690	41 045	38 868	17 502	5 040	-	-
Vote 5 - Trading services		-	-	-	22 350	35 099	41 079	11 537	900	-	-
Vote 6 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 7 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 8 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 9 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 10 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 11 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 12 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 13 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 14 - No volenumber		-	-	-	-	-	-	-	-	-	-
Vote 15 - No volenumber		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		55 796	33 426	37 145	63 705	93 987	88 340	35 777	22 885	9 000	4 000
Total Capital Expenditure - Vote		55 796	33 426	37 145	63 705	93 987	88 340	35 777	93 798	74 118	59 500
Capital Expenditure - Functional											
Governance and administration		-	-	-	3 200	8 104	6 354	6 354	7 640	4 000	4 000
Executive and council		-	-	-	1 750	1 750	-	-	-	-	-
Finance and administration		-	-	-	1 450	6 354	6 354	6 354	7 640	4 000	4 000
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	-	1 358	4 465	10 820	4 547	1 482	9 805	5 000	-
Community and social services		-	-	1 358	3 345	3 907	3 907	1 316	8 005	5 000	-
Sport and recreation		-	-	-	500	256	640	166	-	-	-
Public safety		-	-	-	620	6 657	-	-	1 800	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		55 796	33 426	35 787	33 690	39 965	37 905	17 502	46 589	51 318	41 500
Planning and development		-	-	-	250	2 060	-	-	4 540	-	-
Road transport		55 796	33 426	35 787	33 440	37 905	37 905	17 502	42 049	51 318	41 500
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		-	-	-	22 350	35 099	-	-	29 764	13 800	14 000
Energy sources		-	-	-	20 750	30 490	-	-	28 864	13 800	14 000
Water management		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	1 600	4 609	-	-	900	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	55 796	33 426	37 145	63 705	93 987	48 806	25 338	93 798	74 118	59 500
Funded by:											
National Government		18 759	29 794	17 036	27 550	27 550	27 550	8 772	30 963	29 318	30 062
Provincial Government		33 585	-	4 977	-	6 000	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	52 344	29 794	22 013	27 550	33 550	27 550	8 772	30 963	29 318	30 062
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		3 452	3 632	15 132	36 155	60 437	21 256	16 566	62 835	44 800	29 438
Total Capital Funding	7	55 796	33 426	37 145	63 705	93 987	48 806	25 338	93 798	74 118	59 500

References

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

- The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. This allocation escalates to R93 million in 2018/2019 and then flattens out to R74 million in 2019/20.
- Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
- The capital programme is funded from capital and provincial grants and transfers, public contributions and donations and internally generated funds from current year surpluses. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 13 MBRR Table A6 - Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS											
Current assets											
Cash		1 739	9 326	5 596	5 334	21 423	34 804	30 701	44 665	–	–
Call investment deposits	1	50 977	79 313	119 689	90 034	148 162	148 162	125 219	125 219	131 731	138 581
Consumer debtors	1	26 240	34 585	31 561	48 970	48 970	48 970	33 515	39 890	37 895	36 000
Other debtors		5 232	8 981	15 371	274	274	274	933	933	–	–
Current portion of long-term receivables		–	–	–	9 849	9 849	–	–	–	–	–
Inventory	2	367	544	825	544	544	544	2 213	1 366	1 366	1 366
Total current assets		84 555	132 750	173 042	155 005	229 222	232 754	192 581	212 074	170 992	175 947
Non current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		24 142	24 053	92 326	114 150	114 150	114 150	92 326	92 326	97 127	102 178
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	483 633	478 535	453 843	467 352	478 352	478 352	362 686	469 396	536 424	602 070
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	1 112	1 112	1 112	1 112	2 312	2 312	2 312
Intangible		545	273	279	216	216	216	279	279	279	279
Other non-current assets		1 112	1 112	1 112	–	–	–	–	–	–	–
Total non current assets		509 432	503 974	547 560	582 830	593 830	593 830	456 403	564 313	636 142	706 839
TOTAL ASSETS		593 988	636 723	720 602	737 835	823 052	826 584	648 984	776 387	807 134	882 786
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	897	491	0	1 089	1 089	1 089	(14)	–	–	–
Consumer deposits		3 955	4 143	4 174	4 175	4 175	4 175	9 289	9 289	9 772	10 280
Trade and other payables	4	37 684	44 209	54 283	42 090	42 090	42 090	54 945	36 175	30 096	25 295
Provisions		2 169	4 817	2 776	2 084	2 084	2 084	12 490	2 776	2 776	2 776
Total current liabilities		44 705	53 660	61 233	49 438	49 438	49 438	76 710	48 239	42 644	38 350
Non current liabilities											
Borrowing		3 512	1 091	–	–	–	–	503	–	–	–
Provisions		19 104	18 611	13 720	18 611	18 611	18 611	13 720	13 720	13 720	13 720
Total non current liabilities		22 616	19 702	13 720	18 611	18 611	18 611	14 223	13 720	13 720	13 720
TOTAL LIABILITIES		67 321	73 362	74 953	68 048	68 048	68 048	90 933	61 960	56 364	52 070
NET ASSETS	5	526 667	563 361	645 649	669 786	755 003	758 536	558 051	714 428	750 770	830 716
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		526 667	563 361	645 649	669 786	755 003	758 536	558 051	714 428	750 770	830 716
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	526 667	563 361	645 649	669 786	755 003	758 536	558 051	714 428	750 770	830 716

Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as

“accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 14 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		89 557	96 423	98 576	99 493	99 493	99 493	87 330	99 493	103 116	109 097
Service charges		90 690	117 658	114 463	130 578	132 404	132 404	110 949	130 578	130 544	138 116
Other revenue		12 142	4 384	1 695	10 543	10 593	10 593	6 006	10 543	11 653	11 800
Government - operating	1	57 488	58 688	64 361	60 673	56 808	56 808	83 352	60 673	58 781	61 867
Government - capital	1	54 401	21 796	27 525	27 550	33 550	33 550	8 772	30 963	29 318	30 062
Interest		1 996	5 712	7 896	11 846	12 617	12 617	8 137	11 846	12 533	13 260
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees	1	(207 253)	(232 207)	(237 342)	(296 283)	(303 768)	(303 768)	(173 473)	(338 150)	(357 017)	(370 890)
Finance charges		(1 048)	(804)	(498)	(1 782)	(1 782)	(1 782)	(24)	-	(9 379)	(9 876)
Transfers and Grants	1	-	-	-	-	(7)	(7)	(4)	-	-	-
		97 973	71 649	76 677	42 619	39 909	39 909	131 045	5 947	(20 451)	(16 565)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		(55 796)	(33 426)	(37 338)	(63 705)	(93 987)	(93 987)	(32 415)	(93 798)	(74 118)	(59 500)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(55 796)	(33 426)	(37 338)	(63 705)	(93 987)	(93 987)	(32 415)	(93 798)	(74 118)	(59 500)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	1 190	-	-	-
Payments											
Repayment of borrowing		(2 984)	(2 571)	(2 421)	(1 089)	(1 089)	(1 089)	(1 081)	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(2 984)	(2 571)	(2 421)	(1 089)	(1 089)	(1 089)	109	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		39 193	35 652	36 918	(22 176)	(55 167)	(55 167)	98 739	(87 851)	(94 569)	(76 065)
Cash/cash equivalents at the year begin:	2	13 523	52 716	88 367	125 285	103 109	103 109	169 885	125 285	37 434	(57 136)
Cash/cash equivalents at the year end:	2	52 715	88 367	125 285	103 109	47 941	47 941	268 624	37 434	(57 136)	(133 200)

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The Draft 2018/2019 MTREF in cash of R125 million for the 2018/19 financial year resulting in an overall projected positive cash position of 37 million at year end.
4. As part of the 2017/18 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. The 2018/19 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
6. Cash and cash equivalents totals R125 million as at the end of the 2016/17 financial year.

Table 15 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available											
Cash/cash equivalents at the year end	1	52 715	88 367	125 285	103 109	47 941	47 941	268 624	37 434	(57 136)	(133 200)
Other current investments > 90 days		0	272	(0)	(7 741)	121 643	135 024	(112 704)	132 451	188 866	271 781
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		52 716	88 639	125 285	95 368	169 585	182 966	155 920	169 885	131 731	138 581
Application of cash and investments											
Unspent conditional transfers		6 446	5 492	13 998	12 000	12 000	12 000	30 057	1 971	2 073	2 181
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	2 837	(2 625)	(1 031)	(17 721)	(17 761)	(22 752)	(17 954)	(162)	(3 243)	(6 901)
Other provisions	4	-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		9 283	2 867	12 966	(5 721)	(5 761)	(10 752)	12 104	1 809	(1 170)	(4 720)
Surplus(shortfall)		43 433	85 772	112 318	101 089	175 346	193 718	143 816	168 075	132 900	143 300

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2018/2019 MTREF is funded.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2018/2019 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA

Table 16 MBRR Table A9 - Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	-	-	1 358	32 405	53 182	-	38 135	10 000	14 000
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	16 500	24 740	-	10 250	10 000	14 000
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	4 000	4 000	-	5 000	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	20 500	28 740	-	15 250	10 000	14 000
Community Facilities		-	-	1 358	1 800	2 055	-	6 500	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	1 358	1 800	2 055	-	6 500	-	-
Heritage Assets		-	-	-	1 200	1 200	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	500	-	1 000	-	-
Housing		-	-	-	-	-	-	3 000	-	-
Other Assets		-	-	-	-	500	-	4 000	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	1 500	-	-
Intangible Assets		-	-	-	-	-	-	1 500	-	-
Computer Equipment		-	-	-	1 040	4 851	-	240	-	-
Furniture and Office Equipment		-	-	-	805	1 267	-	245	-	-
Machinery and Equipment		-	-	-	6 410	13 669	-	5 700	-	-
Transport Assets		-	-	-	650	900	-	4 700	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	2	55 796	33 426	37 338	32 405	53 832	-	-	-	-
Roads Infrastructure		55 796	33 426	37 338	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	16 500	24 740	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	4 000	4 000	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		55 796	33 426	37 338	20 500	28 740	-	-	-	-
Community Facilities		-	-	-	1 800	2 055	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	1 800	2 055	-	-	-	-
Heritage Assets		-	-	-	1 200	1 200	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	500	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	500	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	1 040	4 851	-	-	-	-
Furniture and Office Equipment		-	-	-	805	1 267	-	-	-	-
Machinery and Equipment		-	-	-	6 410	13 669	-	-	-	-
Transport Assets		-	-	-	650	1 550	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<u>Total Upgrading of Existing Assets</u>	6	55 796	33 426	35 787	31 300	40 155	33 735	55 663	64 118	45 500
Roads Infrastructure		55 796	33 426	35 787	23 050	33 235	33 235	26 049	46 318	41 500
Storm water Infrastructure		-	-	-	-	-	500	5 000	5 000	-
Electrical Infrastructure		-	-	-	3 250	4 750	-	-	12 800	4 000
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	18 614	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		55 796	33 426	35 787	26 300	37 985	33 735	49 663	64 118	45 500

Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	5 000	2 170	-	6 000	-	-
Community Assets	-	-	-	5 000	2 170	-	6 000	-	-
Total Capital Expenditure	4								
Roads Infrastructure	111 591	66 852	73 125	23 050	33 235	33 235	26 049	46 318	41 500
Storm water Infrastructure	-	-	-	-	-	500	5 000	5 000	-
Electrical Infrastructure	-	-	-	36 250	54 229	-	10 250	22 800	18 000
Water Supply Infrastructure	-	-	-	-	-	-	-	-	-
Sanitation Infrastructure	-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure	-	-	-	8 000	8 000	-	5 000	-	-
Rail Infrastructure	-	-	-	-	-	-	18 614	-	-
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
Infrastructure	111 591	66 852	73 125	67 300	95 465	33 735	64 913	74 118	59 500
Community Facilities	-	-	1 358	3 600	4 111	-	6 500	-	-
Sport and Recreation Facilities	-	-	-	5 000	2 170	-	6 000	-	-
Community Assets	-	-	1 358	8 600	6 280	-	12 500	-	-
Heritage Assets	-	-	-	2 400	2 400	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	1 000	-	1 000	-	-
Housing	-	-	-	-	-	-	3 000	-	-
Other Assets	-	-	-	-	1 000	-	4 000	-	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	1 500	-	-
Intangible Assets	-	-	-	-	-	-	1 500	-	-
Computer Equipment	-	-	-	2 080	9 703	-	240	-	-
Furniture and Office Equipment	-	-	-	1 610	2 533	-	245	-	-
Machinery and Equipment	-	-	-	12 820	27 338	-	5 700	-	-
Transport Assets	-	-	-	1 300	2 450	-	4 700	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	111 591	66 852	74 482	96 110	147 169	33 735	93 798	74 118	59 500

ASSET REGISTER SUMMARY - PPE (WDV)	5								
Roads Infrastructure		347 832	361 447	357 020	353 115	341 003	341 003	359 758	378 825
Storm water Infrastructure									
Electrical Infrastructure				23 389	25 433	25 433	26 832	28 254	29 780
Information and Communication Infrastructure									
Infrastructure		347 832	361 447	357 020	376 504	366 436	386 590	407 080	429 062
Community Facilities		33 635	66 187	89 733	65 175	65 175	68 759	72 404	76 314
Sport and Recreation Facilities									
Community Assets		33 635	66 187	89 733	65 175	65 175	68 759	72 404	76 314
Heritage Assets		1 112	1 112	1 112	1 112	1 112	2 312	2 312	2 312
Revenue Generating									
Non-revenue Generating		114 236	114 148	92 326	114 150	92 326	92 326	97 127	102 178
Investment properties		114 236	114 148	92 326	114 150	92 326	92 326	97 127	102 178
Operational Buildings				36 893	37 785	37 785	15 769	58 632	98 352
Housing									
Other Assets		-	-	36 893	37 785	37 785	15 769	58 632	98 352
Biological or Cultivated Assets									
Servitudes									
Licences and Rights				279	216	279	279	279	279
Intangible Assets		-	-	279	216	279	279	279	279
Computer Equipment		545	273				290	305	322
Furniture and Office Equipment		6 613	4 393				100	105	111
Machinery and Equipment				3 640			200	211	222
Transport Assets				2 939					
Libraries									
Zoo's, Marine and Non-biological Animals									
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	503 974	547 559	583 942	594 942	563 113	525 328	566 625	638 454
EXPENDITURE OTHER ITEMS									
Depreciation	7	50 315	39 846	38 665	63 138	52 138	52 138	57 721	60 781
Repairs and Maintenance by Asset Class	3	5 857	7 919	13 406	18 147	15 187	20 128	21 195	22 361
Roads Infrastructure		3 563	3 247	7 524	3 500	4 000	4 000	5 000	5 552
Storm water Infrastructure									
Electrical Infrastructure		785	1 005	1 005	6 141	6 141	6 141	8 145	8 577
Water Supply Infrastructure									
Sanitation Infrastructure									
Solid Waste Infrastructure					3 500	2 500		969	1 020
Rail Infrastructure									
Coastal Infrastructure									
Information and Communication Infrastructure									
Infrastructure		4 348	4 252	8 529	13 141	12 641	10 141	14 114	14 861
Community Facilities		58	175	110	460	460		360	379
Sport and Recreation Facilities		416	1 303	1 303	1 106	1 106	1 106	1 510	1 590
Community Assets		474	1 477	1 413	1 566	1 566	1 106	1 870	1 969
Heritage Assets									
Revenue Generating									
Non-revenue Generating									
Investment properties									
Operational Buildings					50	50	50	1 704	1 795
Housing		285	900	900	1 600	2 100	2 100	1 850	1 948
Other Assets		285	900	900	1 650	2 150	2 150	3 554	3 743
Biological or Cultivated Assets									
Servitudes									
Licences and Rights									
Intangible Assets									
Computer Equipment			50		190	190	190	290	305
Furniture and Office Equipment		11	50		100	100	100	100	105
Machinery and Equipment					1 500	1 500	1 500	200	211
Transport Assets		739	1 190	2 564					
Libraries									
Zoo's, Marine and Non-biological Animals									
TOTAL EXPENDITURE OTHER ITEMS		56 172	47 765	52 071	81 285	70 285	67 325	77 850	81 975

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality meets both these recommendations.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.

Table 17 MBRR Table A10 - Basic Service Delivery Measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets	1									
Water:										
Piped water inside dwelling		6 914 000	6 914 000	6 914 000	6 914 000	6 914 000	6 914 000	6 914 000	6 914 000	6 914 000
Piped water inside yard (but not in dwelling)		4 806 750	-	5 072 500	5 072 500	5 072 500	5 072 500	5 072 500	5 072 500	5 072 500
Using public tap (at least min.service level)	2	5 720 000	-	5 934 000	5 934 000	5 934 000	5 934 000	5 934 000	5 934 000	5 934 000
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		17 440 750	6 914 000	17 920 500	17 920 500	17 920 500	17 920 500	17 920 500	17 920 500	17 920 500
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply	3	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	17 440 750	6 914 000	17 920 500	17 920 500	17 920 500	17 920 500	17 920 500	17 920 500	17 920 500
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		14 142 000	-	15 105 500	15 105 500	15 105 500	15 105 500	15 105 600	15 105 700	15 105 800
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		14 142 000	-	15 105 500	15 105 500	15 105 500	15 105 500	15 105 600	15 105 700	15 105 800
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	14 142 000	-	15 105 500	15 105 500	15 105 500	15 105 500	15 105 600	15 105 700	15 105 800
Energy:										
Electricity (at least min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)		-	-	-	4 297	4 297	4 297	4 397	4 299	4 287
<i>Minimum Service Level and Above sub-total</i>		-	-	-	4 297	4 297	4 297	4 397	4 299	4 287
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		5 000	-	4 717	12 844	12 844	12 844	12 844	12 844	12 844
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		5 000	-	4 717	12 844	12 844	12 844	12 844	12 844	12 844
Total number of households	5	5 000	-	4 717	17 141	17 141	17 141	17 241	17 143	17 131
Refuse:										
Removed at least once a week		8 529	8 965	9 062	14 365	14 365	14 365	14 465	14 367	14 355
<i>Minimum Service Level and Above sub-total</i>		8 529	8 965	9 062	14 365	14 365	14 365	14 465	14 367	14 355
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	8 529	8 965	9 062	14 365	14 365	14 365	14 465	14 367	14 355
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	2 249	2 338	-	2 338	1 239	1 305	1 377
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided		-	-	2 249	2 338	-	2 338	1 239	1 305	1 377
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		-	-	-	12 503	12 503	-	5 288	5 568	5 875
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	(2 249)	-	512	(2 338)	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	14 403	11 059	11 645	12 285
Total revenue cost of subsidised services provided		-	-	(2 249)	12 503	13 015	12 064	16 347	17 213	18 160

Explanatory notes to Table A10 - Basic Service Delivery Measurement

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
- The Municipality continues to make good progress with the eradication of backlogs:
 - Electricity services – backlog will be reduced by 2000 households. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised; with 6000 households budgeted to be electrified in 2015/16.
 - Refuse services – backlog will be reduced by 21 000 households in 2015/16, and a further 14 000 households in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
- The budget provides for 90 000 households to be registered as indigent in 2015/16, and therefore entitled to receiving Free Basic Services. The number is set to increase to

105 000 households given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.

4. It is anticipated that these Free Basic Services will cost the municipality R26 million in 2018/2019, increasing to R30 million in 2019/2020. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the Municipality also 'gives' households R26 million in free services in 2017/18, and it increases to R30 million in 2019/2020. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 4 per cent of total operating revenue.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 26 August 2017. Key dates applicable to the process were:

- **August 2017**– Planning for the next three year budget begins in accordance with the coordination and preparation of the Budget/ IDP process plan.
- **November 2017** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2018** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2018** – Submission of report to Council on implementation of budget and financial status of municipality
- **25 January 2018** - Council approves the 2017/18 Mid-year Review s72 and Adjustments Budget;
- **February 2018** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The Final 2017/18 MTREF is revised accordingly;
- **March 2018** - Tabling in Council of the Draft 2018/19 IDP, SDBIP and 2018/19 MTREF for public consultation. Submission of Final Budget to National, Provincial Treasury and Other Stakeholders (MFMA s22)
- **April 2018** – Public consultation and participation;

- **April 2018** – Closing date for written comments ,finalisation of the 2018/2019 IDP, SDBIP and 2018/2019 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **May 2018** - Tabling of the 2018/2019 MTREF before Council for consideration.
- **June 2018** - Tabling of the 2018/2019 MTREF before Council for approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2017. It started in September 2017 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2018/2019 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2018/2019 MTREF, based on the approved 2018/2019 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/2019 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2018/2019 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2018/2019 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/2019 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2015/16 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities

- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 89 and 91 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The Finalbudget 2018/2019 MTREF as tabled before Council on 30 March 2016 for community consultation will be published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from 09 April to 16 April 2018, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 100 were recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2018/2019 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raise
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth; and
- During the community consultation process large sections of the community made it clear that tariff increases this year was fair to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

Significant changes effected in the Draft2015/16 MTREF compared to the Draft2018/2019 MTREF that was tabled for community consultation, include:

- The Draft Eskom bulk tariff increase, applicable to municipalities from 1 July 2018, was factored into the proposed consumer tariffs, applicable from 1 July 2018. This resulted in an increase of 6,84 per cent;
- An amount of R350 million (R296 million on the Operating Budget and R37 million on the Capital Budget) was included over the medium-term for each of the financial years.
- The 2018 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

The municipality is committed to redressing and addressing the needs of the people and values inputs from our communities. During the November and December 2017, the Mayor and the Municipal Manager Offices held consultative forums and imbizo for the stakeholders and members of public in all six wards. Members of communities were required to provide their IDP needs and minutes were recorded for all those meetings. This was done to ensure that there was consultation between the municipality and the communities with regard to their needs and service delivery. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2018/2019 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 22 IDP Strategic Objectives

This section aims at providing a synopsis of the development issues arising from the situational analysis of Greater Kokstad Municipality in the form of a SWOT (Strengths, Weaknesses, Opportunities and Threats). For ease reference, the issues raised have been grouped under the 5 KPA's of the Five Year Local Government Strategic Agenda namely:

Basic Services Delivery and Infrastructure
Local Economic Development
Financial Viability and Financial Management
Municipal Transformation and Institutional Development
Good Governance and Community Participation
Spatial and Environmental Planning

1. STRENGTHS

Local Economic Development

- It is relatively close to major hubs (Pietermaritzburg and Port Shepstone) in the province
- Quality of agricultural attributes of soil types, climatic diversity and rainfall. High concentration of prime agricultural land in the hands of large commercial sugar cane farmers
- Labour forces
- Strategic location of Kokstad town
- Local Economic Development Strategy
- Historical and cultural sites
- Variety of business services available, e.g. from banks, business partners etc.
- Well established infrastructure with good transport network
- Various government sectors in Kokstad town
- Strong Functionally Chamber of Business
- Vacant land for development
- Social cohesion
- Dedicated housing section
- Availability of land for housing project
- C-MAX Prison

Financial Viability and Financial Management

- Finance Services Department in Place
- Experienced Chief Financial Officer
- Municipal work within its budget

Municipal Transformation and Institutional Development

- Corporate Services Department is in place
- Human resources Development Strategy is in place
- Experienced, qualified and dedicated municipal staff

Good Governance and Community Participation

- Good turnaround strategy
- Good political/administration relationships.
- Statutory governance structures in place.
- Functional ward committees.
- Good communication and community participation strategy
- Up and running Municipal Website

Spatial and Environmental Planning

- Rugged mountainous terrain

- Contrasting grassland
- Greater Kokstad Municipality is strategically located and accessible to all parts of the district.
- Existence of government extension services.
- Identified development urban areas.

2. WEAKNESSES

Basic Services Delivery and Infrastructure

- Limited growth in the manufacturing industry
- Bulk water supply is a major constraint that affects the municipality.
- 5.3% of the population still does not have access to clean water and obtain water from rivers and streams.
- Lack of upgrading and maintenance of infrastructure and services.
- Rural areas still rely on pit latrine or no toilet system at all.
- The urban areas have proper water borne sanitation systems, but rural areas still rely on pit latrines or no system at all. This places tremendous strain on the environment and
- Lack of comprehensive infrastructure and services plan.
- Lack of electricity to an extent that there are areas that still use paraffin and candle as a source of energy
- Storm water is not properly managed

Local Economic Development

- Insufficient water supply
- Lack of LED institution
- Low level of employment opportunities
- Local SMMEs are not geared to take advantage of emerging business and tender opportunities offered.
- Impediments to SMME development in Greater Kokstad Municipality include low levels of education and productive skills of access to finance, inadequate infrastructure, lack in effective demand and communication.
- Lack of Agricultural Development Plan.
- Limited growth in the manufacturing industry
- Lack of skills
- Industrial development is concentrated in Kokstad Town.

Financial Viability and Financial Management

- Lack of a comprehensive strategy for maximizing the income of the Council.
- The outstanding debt on rates and services owed to the Municipalities is still very high

Municipal Transformation and Institutional Development

- Lack of office space
- Lack of staff accommodation

Good Governance and Community Participation

- Implementation of communication and community participation strategy
- Ward Committees still do not have clear understanding on IDP processes.

Spatial and Environmental Planning

- Illegal occupation of land for informal settlement purposes.
- Mushrooming of informal settlements in flood line areas.
- Deterioration of urban areas
- No integration of environmental, land use and transport management system

- Growth and development is only focusing on primary node (Kokstad town) disadvantaged areas and areas of economic opportunity are neglected.
- Illegal small business operators that conducting business from home without permission are increasing. This has given rise to traffic and safety problems as these areas were not designed for such purposes.

3. OPPORTUNITIES

Basic Services Delivery and Infrastructure

- Existing railway lines/infrastructure.
- Infrastructure, Planning and Development Department in place
- Municipal Infrastructure Grant funding is available for the provision of services

Local Economic Development

- Young energetic human capital
- Tourism attractive
- Strong agricultural base and potential to developing agriculture to new high value product
- Desire for development
- Black Economic Empowerment
- Existence of a strong NGOs and CBOs
- Available of agricultural land

Financial Viability and Financial Management

- Implementation of MPRA
- Less grant dependency

Municipal Transformation and Institutional Development

- Construction of new offices.
- Agglomeration of various government sector department in one locality

Good Governance and Community Participation

- Ward Committees have been established
- Communication and Public Participation in place
- 2014 -2018 Comprehensive Municipal IDP document in place

Spatial and Environmental Planning

- Eco tourism development
- Urban greening
- Corridor development
- Urban expansion

4. TREATS

Basic Services Delivery and Infrastructure

- The occurrence of cholera and related diseases is as a result of the absence of potable water as well as the lack of sanitation
- Non-payment of services could reduce the willingness of services provider to extend and maintain services.
- Land invasion leading to uncontrolled settlement and impact on natural resources

Local Economic Development

- HIV/Aids which has a direct impact on the ability and the area to grow.
- Lack of Infrastructure and services maintenance
- Skills exodus

Financial Viability and Financial Management

- Poverty and Unemployment rate
- Non- payment of rates

Good Governance and Community Participation

- Low levels of participation by certain stakeholders in the IDP process.

Spatial and Environmental Planning

- Erosion and the degradation of field as a result of poor land management due to overgrazing and incorrect cultivation methods need to be addressed by means of control measures and efforts are needed to increase people's awareness of the advantages of good waste management practices.
- Erosion and Water pollution is a common problem in the area as the people use the rivers for all purposes including washing cars and clothes, animal feed, human consumption and other purposes
- Alien plants

Summary of Key Priority/Critical Issues

- In summary the key priority/critical issues that need urgent attention are follows:
- Eradication of the backlogs especially on water, sanitation and electricity;
- Dealing ahead with current conditions of roads and storm water;
- Upgrading the ageing infrastructure and services;
- Address the low to middle income backlogs;
- Creation of economic growth and job opportunities;
- Promote tourism development;
- Dealing with HIV/Aids pandemic;
- Urban regeneration strategy;
- Promotion of nodal development;
- Mainstreaming of gender equality into development programmes;
- Intensification of social services for children and youth;
- Skills development.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National

Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

DRAFTBUDGET PROCESS OVERVIEW

• Political Oversight of Budget Process

The concept of political oversight over the budget process is an important one and it is the key to ensuring that strategy informs the budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinates the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purposes of the budget.

The demands on the Municipality to address service delivery backlogs and to improve services delivery of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

• Consultation Process

The consultation process began with the tabling of the budget & IDP review process plan on August 2017.

The following processes will be undertaken to present the Finalbudget to the community:

1. Public meetings
2. Presentation of the budget to Business Community and other stakeholders
3. Placement of budget documentation at all Libraries and other municipal offices.
4. General distribution of budget documentation
5. Advertisement of Finalbudget in local newspapers and public meetings

The public meetings will be finalised on the 23 April 2017. The closing date for submissions was 28 April 2017.

BUDGET CONSULTATION MEETINGS

The council will hold the consultative meetings towards the Draft budget as follows:-

Ward	Date	Areas	Time	Venue
5&8	09/04/2018	White city ward 5	17h00	Thuntulwana
9		Mphela	11h00	Qhingalendlela
4,7,10	10/04/2018	Shayamoya area	17h00	Shayamoya sportfield
2 9,10,5	11/04/2018	All farms areas Twist ville river view and surrounding areas	13h00 17h00	Franklin hall Community hall
1 8&9	12/04/2018	Horseshoe Thafeni area	11h00 17h00	JJ Mhlongo hall Ward 8 hall
6 3	14/04/2018	All farm areas Ward 3 residents	14h00 17h00	New market Super room
GKM Stakholders 7	16/04/2018	All stakeholders	8h30 17h30	Council chamber Ext 7 hall

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Figure 1 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

Focus of the review cycle

The Council adopted a turnaround strategy with the theme “***crossing the Rubicon to business unusual***”. to deal with the material issues raised by the office of the Auditor General in the previous years, with an intention of also improving internal controls as well as financial management systems, policies and procedures. The strategy has yielded a good result as the municipality obtained an unqualified audit opinion report for 20/10, 2010/11 & 2014/15 financial years. Another major hindrance to success has been a lack of capacity and other internal challenges, and we are addressing this problem as a matter of urgency. The Council has already started the process of filling the strategic vacant positions.

Greater Kokstad Community Needs for 2018/2019

Greater Kokstad Municipality communities were asked through IDP Road-shows and ward councillors to identify and prioritise ward community needs for their respective wards.

These community needs can be classified as follows:

2018/2019 IDP PROJECTS

What Residents Say They Need

Greater Kokstad communities were asked through IDP Road shows conducted to all wards to identify community needs for their respective wards. For this exercise to be successful community leaders were asked to involve all community role players. Responses were received from all ward committees and ward councillors as well as from the Kokstad Residents Rates Payers Association and Kokstad Chamber of Commerce. These community needs can be classified as follows:

No.	Ward/s or Region	Specific Area/s	Community Need	Problem Statement- by the Community members	Responsible department	Budget Source		FINANCIAL YEAR				
								2017/18	2018/19	2019/20	2020/21	2021/22
1	1, 4, 5, 6, 7, 9, 10	Horseshoe; Shayamoya (Ward 4); V Murray Street; Thukweni; Thuthuka Ngeli; Shayamoya (Ward 7); Qhingalendlala; Thafeni; Moyeni; Shayamoya (Ward 10)	Access / Link roads	Access / Link roads need to be developed and/or maintained	IPD	CAPITAL	REVENUE		2 000 000.00	2 500 000.00		
2	2, 3, 5, 6, 7, 9, 10	All Extension 7 Roads	Tarring / Rehabilitation / Upgrade/ Completion of roads	Aged roads need to be rehabilitated and those roads that were being developed need to be completed	IPD	CAPITAL	MIG	1 137 000.00	8 000 000.00			

3	2, 3, 5, 6, 7, 9, 10	Franklin; St Johns Road; Murray Street; Mphela; Emapotweni (Pakkies); Wylde Road between Murray Street & 1 st Avenue (Riverview); Coulter Street; Bhambayi	Tarring / Rehabilitation/ Upgrade/ Completion of roads	Aged roads need to be rehabilitated and those roads that were being developed need to be completed	IPD	CAPITAL	MIG			5 000 000.00		
4	5	V Murray	Mid-block roads	Mid-block roads are needed to enhance vehicle access to homes	IPD	CAPITAL	Revenue		2 400 000.00	2 500 000.00		
5	1, 2, 4, 5, 6, 7, 9&10, 10	Horseshoe, Thafeni, Franklin, Shayamoya (Ward 4), South-end, Pakkies, Shayamoya (Ward 7), Shayamoya (Ward 10); Riverview Sports ground	Sports Field or Sports Centre establishment / rehabilitation	A need for sports fields to be established and/or rehabilitated was identified to enhance recreation amongst the youth	IPD	CAPITAL	MIG	8 500 000.00		5 500 000		
6	1, 9	Horseshoe, Qhingalendlala	Brick fencing of graveyards	The communities requested that the graveyards be brick fenced to avoid vandalism	CDS	CAPITAL	Revenue	1 500 000.00				
7	6	Trout waters, Rusfontein/Charlton	Graveyard	The communities are requesting for graveyards to be provided for burials as they are currently utilising a privately owned farm and encounter problems as such	CDS	CAPITAL	Revenue		5 000 000.00			
8	1	Horseshoe, Bhongweni	Street Shelters	To provide shelter from inclement weather whilst waiting for taxis/ transportation.	IPD	CAPITAL	Revenue		1 500 000.00			
9	1, 2, 3, 5, 8, 9, 10	Horseshoe; CBD; Railway to Cnr Murray Street; St Johns Street; between Homes 2000 & Unique Homes; Near Nonqubela PS; Thafeni; near Shayamoya Sports Field	Street / Master lights/ Maintain or Up grade	Communities identified a need for street lights to be installed and/or maintained in some areas		OPERATING	Revenue	6 000 000.00	6 348 000.00	6 716 184.00		

10	1, 2, 3, 5, 8, 9, 10	Horseshoe; Franklin; between Homes 2000 & Unique Homes; Near Nonqubela PS; Thafeni; near Shayamoya Sports Field; Marikana	Street / Master lights/ Maintain or Up grade	Communities identified a need for street lights to be installed and/or maintained in some areas		CAPITAL	Revenue		2 500 000.00	2 500 000.00		
11	1, 7, 8	Horseshoe; Shayamoya; Zitandini (from kwaNtombela to kwaGuguza Tuck shop)	Speed humps	A need for speed humps to be installed was identified in order to protect the children of the areas against high speed drivers	IPD	OPERATING	Revenue	3 500 000.00	3 703 000.00	3 917 774.00		
12	1, 5, 9 & 10	Horseshoe; South-end; Groom Street; Main Street to V-3 Murray Street; Barker Street;	Sidewalks	Sidewalks were an identified need to decrease competition between pedestrians and vehicles on the road as this results in pedestrians walking directly on the road	IPD	CAPITAL	Revenue		1 000 000.00	1 000 000.00		
13	2, 6, 7, 9, 9 & 10, 10	Thuthuka Ngeli	Community Hall Development and/or Rehabilitation/Upgrade	A community hall was identified as a need for formal gatherings and those areas that already have a community hall need to have it rehabilitated	IPD	CAPITAL	Revenue	700 000.00				
14	2, 6, 7, 9, 9 & 10, 10	Shayamoya	Community Hall Development and/or Rehabilitation/Upgrade	A community hall was identified as a need for formal gatherings and those areas that already have a community hall need to have it rehabilitated	IPD	CAPITAL	Revenue	1 600 000.00				
15	2, 6, 7, 9, 9 & 10, 10	Maraiskop & Makhoba	Community Hall Development and/or Rehabilitation/Upgrade	A community hall was identified as a need for formal gatherings and those areas that already have a community hall need to have it rehabilitated	IPD	CAPITAL	Revenue	200 000.00				

16	2, 6, 7, 9, 9 & 10, 10	Krandraai, Runsfontein; New Market; Qhingalendlala; Twistvalley	Community Hall Development and/or Rehabilitation/Upgrade	A community hall was identified as a need for formal gatherings and those areas that already have a community hall need to have it rehabilitated	IPD	CAPITAL	Revenue		1 200 000.00	1 500 000.00		
17	2	Krandraai, Maraiskop & Makhoba; Thafeni; Franklin	Poultry & Gardening	A need for Resources, funds and piece of land were identified to be used for poultry and gardening	LED	OPERATING		660 000.00				
18	2, 6, 8, 9&10	Twistvalley	Bakery equipment and/or Establishment of a bakery	A need for bakery equipment was identified in order for the bakery to fully function	OMM-LED	CAPITAL		350 000.00				
19	2, 6, 8, 9&10	Franklin	Bakery equipment and/or Establishment of a bakery	A need for bakery equipment was identified in order for the bakery to fully function	OMM-LED	CAPITAL	REVENUE	350 000.00				
20	2, 6, 8, 9&10	Thuthuka Ngeli; Khanyiseleni;	Bakery equipment and/or Establishment of a bakery	A need for bakery equipment was identified in order for the bakery to fully function	OMM-LED	CAPITAL	REVENUE		400 000.00			
21	6	Trout waters; Kargspost; Rusfontein; New Market	Bakery, bread, confectionary and juice making business (for the physically challenged)	Resources, funds, and space for operation as well as training have been an identified need for the establishment of the business to empower the physically challenged	OMM-SP	CAPITAL	REVENUE			600 000.00		
22	3, 5, 8	CBD, Dumisani Makhaye, behind SASSA; St Johns Street, Boo! Lane	Storm water drainage system	In order to avoid floods flowing to the houses, a need for drainage system was identified	IPD	CAPITAL	REVENUE	1 000 000.00	1 000 000.00	1 000 000.00		

87 781 958.00 35 051 000.00 27 233 958.00

Key Project For The next 5 years

The key project for the next five years area:

- Building of Municipal Civic Centre Complex that will accommodate all the municipal staff and some of the national and provincial government departments.
- Development of significant retail development such as Mamisa and Pick and Pay
- Urban Regeneration Strategy
- Development of Comprehensive Infrastructure Plan
- Development of middle to high income housing
- Development of Shayamoya Precinct plan;
- Development of Franklin, Makhoba and Swartberg Nodal Development Framework Plan
- Development of Integrated Transport Plan

Implications for development

- In the economic core or urban areas of the Municipality there are bulk water supply constraints resulting in the town reaching the capacity of its available water resources. This has caused an inability to run certain developments at full capacity (e.g. C-Max) and constrain on the ability to plan for and approve future development in the town. This has also led to an over-exploitation of existing water sources (e.g. UMzintlava River).
- The railway line is not currently being used. Road transport is the only functional mode of transport in the area. This has resulted in roads being degraded thus, requiring frequent maintenance which has major financial implications. The railway line can be used to transport goods, agricultural products or people depending on consumer demand. Therefore more focus should be placed on revitalization of railway line.
- The Greater Kokstad population is relatively young with 35, 87% of the population below the age of 39. This relatively young population signifies high potential for population growth in the future which further exacerbates the supply and demand scenario for more housing, education and health services in the foreseeable future. The segment of the population falling within the 15 – 69 groups would essentially be classified as the potentially economically active population of Greater Kokstad Municipality. This means that the municipality, sector departments and NGOs must direct their development plan in favour of youth. This data also means that there must be improved intake of social security grants especially the child support grants within the municipal area.

- The issue of high level of employment suggest that the Greater Kokstad Municipality should put more resources on economic development and poverty alleviation programme

Measuring Our Progress

Greater Kokstad Municipality set itself a clear and achievable targets and performance indicators with specific reference of the national KPAs. An overall organisation performance identifying the success or specific KPAs where targets are not being met are reported to the Municipal Manager to take remedial action in good time before the end of the financial year.

A19. Development of IDP Review

IDP Review for the Greater Kokstad Municipality has been developed 'in house'. This decision was taken to ensure that ownership of the process and product remains within the municipality. The services provider was only required for specialized task, such as the reviewing of the municipal Spatial Development Framework. The review of the Greater Kokstad Municipality was developed through a consultative, open and transparent process in which the broad public, stakeholders, officials and Councillors provide inputs into gaps and changing circumstances within their area of jurisdiction. During the completion of the Final IDP review, in line with the adopted IDP Process Plan, the consultative meetings were undertaken.

The Community Development Workers have been utilized as the vehicle to ensure effective interaction and communication between the municipality and its citizens around broader development issues including the IDP review

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Greater Kokstad Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overFinland tax provisions as a percentage of funds and reserves. During the 2013/14 financial year the ratio deteriorated to a level 4,5 per cent. As part of the planning guidelines that informed the compilation of the 2011/12 MTREF ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2010/11 and 2018/2019 the gearing ratio peaked at 0.0 per cent. This was primarily a result of the decreased borrowing levels and increasing funds and reserves.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2010/11 financial year the ratio was 0.1 and as part of the financial planning strategy it has been decreased to 0.7 in the 2013/14 financial year.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.6 Other Indicators

- The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.
- Employee costs as a percentage of operating revenue continues to increase over the MTREF.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2015/16 financial year 3 500 registered indigents have been provided for in the budget with this figured increasing to 4352 by 2018/2019. In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity and free waste removal as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement)

This policy is mainly focused on providing financial assistance or support to indigent households in the form of subsidies for services charges -electricity and refuse removal. Its main objectives are to provide services in a sustainable manner within the financial means of the municipality; to provide procedures and guidelines for the subsidization of service charges using a portion of equitable share.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in October 2013 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 95 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Budget Policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment

budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Virement Policy

The Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The purpose of this policy is to provide directives relating to virements and to enable the accounting officer to amend budgets in the light of experience or to provide for anticipated changes.

2.4.5 Cash Management and Investment Policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks. The council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently.

2.4.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years. The tariffs policy has been compiled taking into account, where applicable, the guidelines set out in Section 74 that in setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy)

2.5 Overview of budget assumptions

2.5.1 Headline inflation forecasts

On setting up increases on tariffs and increasing of budget expenditures, the National Treasury issued inflation forecast through MFMA circular No 78 for 2018/2019 of 6% has been well considered and this resulted to all tariffs except electricity to be increased by 8,39%.

2.5.2 Revision of rates, tariffs, and other charges

As detailed on paragraph 1 above, when revising tariffs, rates and other charges, inflation forecast has been considered to ensure that all are proposed to increase not above 6%.

Further to the above, the labour and other input costs of services have been taken into account to ensure financial sustainability, local economic conditions and the affordability of services and also taken into consideration the municipality's indigent policy. The proposed rates, tariffs and other charges have been tried to be kept as as low as practically possible.

2.5.3 Eskom bulk tariff increases

On announcement of Eskom bulk increases by NERSA, the municipality proposed increases on electricity tariffs is 9.4% as guided by NERSA Draftapproved tariffs will be subject to NERSA. These will be only tariffs to increase above 9.4% and this is beyond municipality as electricity is purchased in bulk from Eskom.

2.5.4 Funding choices and management matters

Tough decisions on the expenditure side have been made by giving priority to ensure that service delivery is improved in all aspects as follows,

- Supports of meaningful local economic development initiatives that foster micro and small business opportunities and job creation.
- Day to day operations for provision of service delivery.
- That there is expediting spending on capital projects that are funded by conditional grant and council revenue.
- Supports of meaningful special programs for community groups.

2.5.5 The Municipal Budget and reporting Regulations

Since 1 July 2009, the budgets have been prepared as per requirements of the regulations. The municipality have complied with the formats set out in schedule A, B and C and the relevant attachments to each of the schedules.

2.5.6 MFMA Circular No. 89

Circular No. 89 has provided guidance on budget preparations on many aspects which on this current budget preparations, the inflation forecast for increases have been considered. Circular No.89 provides further guidance to municipalities for the preparation of 2018/2019 Budgets and Medium Term Revenue and Expenditure Framework. Main guidance provided is on outgoing councils need to ensure that the inputs into 2017/18 budget and MTREF safeguard the financial sustainability of the municipality. More specifically, the council is advised against unrealistically low tariff increases and over-ambitious capital expenditure programmes.

2.5.7 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (95 per cent) of annual billings. Cash flow is assumed to be 86 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.8 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.5.9 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.10 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 90 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2015/16 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and

- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2018/19 MTREF on the different revenue categories are:

Proposed tariff increases over the medium-term

Revenue to be generated from property rates is R101 million in the 2017/18 financial year and increases to R141 million by 2018/2019. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R116million for the 2017/18 financial year and increasing to R125 million by 2018/2019

Operational grants and subsidies amount to R60 million, R58 million and R63 million for each of the respective financial years of the MTREF. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

2.6.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

2.6.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. The level of cash-backing progressively increasing over the period 2016/2017 to 2017/18. It is aimed that by 2018/2019 this surplus would have been significantly increased. The 2018/2019 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

2.6.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

2.6.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 4 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

2.6.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality

be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due.

2.6.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

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2.6.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 90, 95 and 74.5 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 80 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt

incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.6.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. Further details relating to the borrowing strategy of the Municipality can be found on 66.

2.6.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.6.4.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 days.

2.6.4.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.6.4.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and

future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.7 Contracts having future budgetary implications

Vote Description R thousand	Ref	2018/19 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Present value
Capital expenditure	1							
Vote 1 - EXECUTIVE & COUNCIL		-	-	-				
Vote 2 - Finance and administration		7 100	4 000	4 000				
Vote 3 - Community and public safety		9 845	5 000	-				
Vote 4 - Economic and environmental services		47 089	51 318	41 500				
Vote 5 - Trading services		29 764	13 800	14 000				
Vote 6 - No votenumber		-	-	-				
Vote 7 - No votenumber		-	-	-				
Vote 8 - No votenumber		-	-	-				
Vote 9 - No votenumber		-	-	-				
Vote 10 - No votenumber		-	-	-				
Vote 11 - No votenumber		-	-	-				
Vote 12 - No votenumber		-	-	-				
Vote 13 - No votenumber		-	-	-				
Vote 14 - No votenumber		-	-	-				
Vote 15 - No votenumber		-	-	-				
<i>List entity summary if applicable</i>								
Total Capital Expenditure		93 798	74 118	59 500	-	-	-	-
Future operational costs by vote	2							
Vote 1 - EXECUTIVE & COUNCIL								
Vote 2 - Finance and administration								
Vote 3 - Community and public safety								
Vote 4 - Economic and environmental services								
Vote 5 - Trading services								
Vote 6 - No votenumber								
Vote 7 - No votenumber								
Vote 8 - No votenumber								
Vote 9 - No votenumber								
Vote 10 - No votenumber								
Vote 11 - No votenumber								
Vote 12 - No votenumber								
Vote 13 - No votenumber								
Vote 14 - No votenumber								
Vote 15 - No votenumber								
<i>List entity summary if applicable</i>								
Total future operational costs		-	-	-	-	-	-	-
Future revenue by source	3							
Property rates								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
<i>List other revenues sources if applicable</i>								
<i>List entity summary if applicable</i>								
Total future revenue		-	-	-	-	-	-	-
Net Financial Implications		93 798	74 118	59 500	-	-	-	-

In terms of the Municipality's Supply Chain Management Policy, there were contracts awarded beyond the medium-term revenue and expenditure framework (three years). List attached:-

2.8 Capital expenditure details

The following two tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets

Municipal Vote/Capital project	Ref	Program/Project description	Individually Approved (Yes/No)	Asset Class	Prior year outcomes		2018/19 Medium Term Revenue & Expenditure Framework			Project information	
					Audited Outcome 2016/17	Current Year 2017/18 Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	Ward location	New or renewal
R thousand	4		6	3							
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>											
Administrative and Corporate Support:		Biometrics	No	Furniture and Office Equipment		300	600				
Administrative and Corporate Support: Co		Office furniture and equipment	No	Furniture and Office Equipment		200	200	1 000	800		
Administrative and Corporate Support: Co		Banking Hall	No	Furniture and Office Equipment		500	–				
Administrative and Corporate Support: Corp		Customer Kiosk	No	Furniture and Office Equipment		400					
Administrative and Corporate Support:		Furniture and office Equipment Sound S	No	Furniture and Office Equipment	2 350	150					
Budget and Treasury Office: Budget & Tre		Finance Office furniture and equipment	No	Furniture and Office Equipment	3 043	372					
Cemeteries Funeral Parlours and Cremat		Fencing Bongweni Cemetery ward 9	No	Community Facilities		1 500					
Cemeteries Funeral Parlours and Crematori		Purchase of Cemetery land	No	Community Facilities				5 000			
Community Halls and Facilities: Public		Youth centre bhongweni community fa	No	Community Facilities		–					
Community Halls and Facilities: Public		Community hall ward 8	No	Community Facilities		255					
Community Halls and Facilities: Public		Shayamoya Hall	No	Community Facilities		1 551					
Community Halls and Facilities: Public		Community hall ward Maraikop 9315	No	Community Facilities		249					
Community Halls and Facilities: Public		Shayamoya Hall Ward 10	No	Community Facilities		–	5 000				
Community Halls and Facilities: Public		Upgrade of Bhongweni Hostel	No	Revenue Generating			3 000				
Community Parks (including Nurseries)		Chainsaw	No	Machinery and Equipment		100					
Community Parks (including Nurseries)		Rideon mower	No	Machinery and Equipment		50					
Community Parks (including Nurseries)		Leaf sucker trailer and machine	No	Machinery and Equipment		–					
Community Parks (including Nurseries)		Brushcutters Parks	No	Machinery and Equipment		50					
Corporate Wide Strategic Planning (IDP)		FRANKLIN Bakery	No	Community Facilities		125	3 200				
Corporate Wide Strategic Planning (IDP)		Twistville Bakery	No	Community Facilities		125	700				
Corporate Wide Strategic Planning (IDP)		Farmer Production Support Unit	No	Machinery and Equipment			100				
Corporate Wide Strategic Planning (IDP)		Tractors x 2	No	Machinery and Equipment			40				
Corporate Wide Strategic Planning (IDP)		Ploughing implements	No	Machinery and Equipment							
Corporate Wide Strategic Planning (IDP)		Computer Equipment	No	Computer Equipment							
Corporate Wide Strategic Planning : IDP		PMS Software	No	Computer Equipment			500				
Electricity: Electrical Services (382)		Electrification of Informal Settlements Mo	No	Electrical Infrastructure		–	2 914				
Electricity: Electrical Services (382)		Bulk Infrastructure / substation	No	Electrical Infrastructure		10 000	7 000	10 000	10 000		
Electricity: Electrical Services (382)		Electrification of Makhoba Farm houses	No	Electrical Infrastructure			4 000				
Electricity: Electrical Services (382)		MV CABLE upgrade Phase 3	No	Electrical Infrastructure	2 500		3 000	3 000	3 000		
Electricity: Electrical Services (382)		Homes 2010 electrification	No	Electrical Infrastructure		1 500					
Electricity: Electrical Services (382)		Electrification of Wildlands Farm Donker	No	Electrical Infrastructure		1 500					
Electricity: Electrical Services (382)		Electrification of Informal Settlements Mo	No	Electrical Infrastructure		4 000					
Electricity: Electrical Services (382)		Upgrade of Mini substations and Trans	No	Electrical Infrastructure		3 500	3 500				
Electricity: Electrical Services (382)		Standby Quarters Phase 2	No	Electrical Infrastructure		250	250				
Electricity: Electrical Services (382)		Electrification of wansberg	No	Electrical Infrastructure	3 200	2 690	–				
Electricity: Electrical Services (382)		Ellectrical Truck with skyjack	No	Electrical Infrastructure		1 650	–				
Electricity: Electrical Services (382)		MV CABLE upgrade- ZIETSMAN	No	Electrical Infrastructure		1 000	–				
Electricity: Electrical Services (382)		Transformers	No	Electrical Infrastructure		500		800	1 000		
Electricity: Electrical Services (382)		Upgrading central substation	No	Electrical Infrastructure	4 400	3 900	3 900				
Electricity: Electrical Services (382)		Installation of Street Lights and High Ma	No	Electrical Infrastructure			2 800				
Electricity: Electrical Services (382)		Electrification of Municipal leased prop	No	Electrical Infrastructure			1 000				
Fire Fighting and Protection: Fire (361)		Fire office furniture and equipment	No	Furniture and Office Equipment		20					
Fire Fighting and Protection: Fire (361)		Fire vehicle 361	No	Transport Assets		600					
Fire Fighting and Protection: Fire (361)		Fire Engine	No	Machinery and Equipment		4 500					
Fire Fighting and Protection: Fire (361)		Fire Rescue vehicle	No	Machinery and Equipment		900					
Fire Fighting and Protection: Fire (361)		Fire fighting equipment	No	Machinery and Equipment			300				
Fire Fighting and Protection: Fire (361)		Disaster management centre	No	Non-revenue Generating			1 500				
Information Technology: Information Te		ICT Upgrade	No	Computer Equipment		1 531	1 000	1 000	1 200		
Information Technology: Information Te		Telephone and fax upgrade	No	Furniture and Office Equipment		3 320					
Information Technology: Information Te		Computer Equipment	Yes	Computer Equipment		150	200				
Libraries and Archives: Library (002) Co		industrial vucuum cleaner	Yes	Furniture and Office Equipment		15	15				
Libraries and Archives: Library (002) Co		heavy duty laminating machine	Yes	Furniture and Office Equipment		15	15				
Libraries and Archives: Library (002) Co		6 swivel office chairs	Yes	Furniture and Office Equipment		10	10				
Libraries and Archives: Library (002) Co		Office equipment	Yes	Furniture and Office Equipment		5	5				
Mayor and Council: Councillors (009)		Statue	Yes	Biological or Cultivated Assets		1 200					
		Motor Vehicles	Yes		2 100						
Police Forces Traffic and Street Parking		Upgrading of brake testing machine	Yes	Machinery and Equipment		–					
Police Forces Traffic and Street Parking		Traffic office furniture and equipment	Yes	Machinery and Equipment		180					
Police Forces Traffic and Street Parking		Hydraulic Jack Breathalyser machine	Yes	Machinery and Equipment		100					

2.9 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed Five interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a Final stage and will be finalised after approval of the 2018/19 MTREF in May 2018 directly aligned and informed by the 2018/19 MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

8. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.



GREATER
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OFFICE OF THE MUNICIPAL MANAGER

Municipal Manager's Quality certificate

I **Lulamile H. Mapholoba** Municipal Manager of Greater Kokstad Municipality, hereby certify that the Annual Draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Greater Kokstad Municipality (KZN 433)

Signature _____

Date _____